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Synex International Inc.

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FINANCIAL

First Quarter Report

For three months ended September 30, 2003

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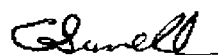
2004

Consolidated Balance Sheets

(unaudited)

	September 30	June 30
	2003	2003
Assets		
Current		
Cash and cash equivalents	\$ 325,793	1,391,975
Accounts receivable	899,177	967,318
Prepaid expenses	31,071	41,837
Future income taxes	24,057	45,968
	1,280,098	2,447,098
Loan receivable	3,024	1,844,643
Property, plant and equipment	2,525,057	102,515
Future income taxes	137,321	133,620
Projects in development and other assets	3,193,325	1,870,517
	\$ 7,138,825	6,398,393
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 318,860	362,628
	318,860	362,628
Accrued liabilities and provisions	585,000	585,000
	903,860	947,628
Shareholders' equity		
Capital stock	5,582,637	4,715,140
Retained earnings	652,328	735,625
	6,234,965	5,450,765
	\$ 7,138,825	6,398,393

Approved by the Directors


Alan W Stephens
Director

Greg Greg J Sunell
Dire Director



REPORT FROM THE PRESIDENT

Revenue for the first quarter of fiscal 2004 decreased to \$228,802 as compared to \$343,049 for the corresponding period in the previous year. The decrease in revenue is primarily due to increased efforts on the Mears Creek Hydro Project by the engineering division, resulting in lower revenue from external engineering clients. The net loss after tax for the first quarter of fiscal 2004 was \$83,297 as compared to net earnings after tax of \$78,007 in the first quarter of fiscal 2003.

Synex Energy Resources Ltd.

Revenue for the first quarter decreased to \$74,957 from \$96,613 from the previous year with a segment operating loss of \$26,283 as compared to a profit of \$13,118 in the corresponding period in the previous year. In fiscal 2003, interest was accrued in respect of the New World/Wolverine loan receivable whereas in fiscal 2004, no interest was accrued and the loan has been converted to property, plant and equipment.

At June 30, 2003, Synex Energy had a US\$1 million Convertible Loan with New World Power Corporation, which was due on June 30, 2001. The Convertible Loan and accrued unpaid interest was secured by a first mortgage on the power plants of Wolverine Power Corporation, a wholly owned subsidiary of New World. During the quarter, the energy division completed the foreclosure on the real estate assets of Wolverine and proceeded with the necessary actions to acquire the other assets.

The construction of the 4MW Mears Creek Hydro Project was significantly advanced during the first three months of fiscal 2004. The Project is scheduled to commence operating in mid-January 2004. On September 19, 2003, Synex Energy and the Canadian Western Bank executed a Credit Agreement covering the construction and long term funding for 70% of the approved costs with a maximum debt funding of \$5.04 million.

There are three other projects in the early stages of development, namely, the Kyuquot Utility, the 3MW McKelvie Creek Hydro Project and the 3MW Cypress Creek Hydro Project.

One or more of these projects should be significantly advanced during the current fiscal year. In addition, the energy division has an interest in the 112MW Forrest Kerr Project through its ownership of nearly 900,000 shares of Coast Mountain Power Corp, a public company trading on the TSX Venture Exchange.

During the first quarter of fiscal 2004, BC Hydro accepted the tenders for future electricity purchases from both the Cypress Creek and Forrest Kerr projects. By September 27, 2003, both Synex Energy and Coast Mountain had executed the electricity purchase agreements and provided the development security to BC Hydro. It is anticipated that BC Hydro will promptly execute the agreements.

Sigma Engineering Ltd.

The engineering division was active on a number of assignments, mainly in respect of hydroelectric opportunities in British Columbia for the energy division and others. Revenue from external customers was \$135,297 as compared to \$244,979 in the previous year and segment operating profit decreased to \$28,396 from \$39,355. The decrease in revenue from external customers was a result of increased work by the engineering division on the Mears Project.

OUTLOOK

The Mears Creek Hydro Project is scheduled to commence operations in mid-January 2004. The commencement of electricity sales will significantly increase the revenue and earnings of the Company as presently, no revenue or income is being accrued from the equity invested in energy projects.

The completed acquisition of the useful assets of Wolverine and commencement of operations by the energy division is anticipated during fiscal 2004.

We will continue to advance the energy development opportunities of the Company.



Greg J Sunell, President

Consolidated Statements of Income and Retained Earnings

(unaudited)

	Three months ended September 30	
	2003	2002
Revenue	\$ 228,802	343,049
Expenses		
Amortization	22,289	9,397
Selling, general and administrative	271,600	267,057
	293,889	276,454
Income (loss) before provision for income taxes	(65,087)	66,595
Provision for income taxes	18,210	16,850
Net income (loss) from continuing operations	(83,297)	49,745
Net income from discontinued operations	0	28,262
Net income (loss) for the period	(83,297)	78,007
Retained earnings (deficit) at beginning of period	735,625	(805,797)
Retained earnings (deficit) at end of period	\$ 652,328	(727,790)
Earnings per share for the period :		
Net income	\$ 0.00	0.01
Fully diluted earnings per share for the period :		
Net income	\$ 0.00	0.01
Weighted average number of common shares outstanding :		
Basic	16,921,416	15,211,083
Fully diluted	17,245,657	15,671,083

Consolidated Statements of Cash Flows

(unaudited)

	Three months ended September 30	
	2003	2002
Operating activities		
Net income (loss) from continuing operations	\$ (83,297)	49,745
Amortization	22,289	9,397
Future income taxes	18,210	11,600
	(42,798)	70,742
Changes in operating assets and liabilities :		
Decrease (increase) in accounts receivable	68,140	(113,605)
Decrease (increase) in prepaid expenses	10,767	7,198
Increase (decrease) in accounts payable and accrued liabilities	(43,770)	(69,269)
	(7,661)	(104,934)
Financing activities		
Common shares issued	867,497	8,000
	867,497	8,000
Investing activities		
Loan receivable	1,841,619	50,000
Energy project development costs	(1,339,431)	(123,885)
Property, plant and equipment additions	(2,428,528)	(100,913)
Investments	322	(3,000)
	(1,926,018)	(177,798)
Increase (decrease) in cash and cash equivalents from continuing operations during the period	\$ (1,066,182)	(274,732)
Increase (decrease) in cash and cash equivalent from discontinued operations during the period		
Operations	0	(88,929)
Property, plant and equipment	0	114,996
Investment	0	0
Cash and cash equivalents at beginning of period	1,391,975	556,490
Cash and cash equivalents at end of period	\$ 325,793	307,825

Supplemental disclosure of cash flow information :

Cash payment for taxes	\$ 0	15,000
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS :
1. BASIS OF PRESENTATION

These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's 2003 Annual Report. The accompanying financial information does not include all disclosures required under generally accepted accounting principles ("GAAP") because certain information included in the Company's 2003 Annual Report has not been included in this report. The accompanying financial information reflects all adjustments consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods. Certain comparative figures have been reclassified to conform with the basis of presentation adopted in the current period.

2. BUSINESS SEGMENTS

Three months ended September 30th

(unaudited)

The principal classes of business of the Company are the funding and development of energy projects, the development and marketing of software products (2002) and the provision of engineering and project management services.

2003		Energy	Software	Engineering	Corporate	Consolidated
Total revenue	\$	74,957	-	301,817	94,523	471,297
Inter-segment revenue		-	-	166,520	75,975	242,495
Revenue from customers	\$	74,957	-	135,297	18,548	228,802
Segment operating profit (loss)		(26,283)	-	28,396		2,113
General expenses						67,200
Income taxes						18,210
Net income (loss) for the period	\$					(83,297)
Identifiable assets	\$	6,263,703	-	404,215	470,907	7,138,825
Capital expenditures	\$	3,767,662	-	297	-	3,767,959
Amortization	\$	16,691	-	2,731	2,867	22,289
2002		Energy	Software	Engineering	Corporate	Consolidated
Total revenue	\$	96,613	705,710	310,218	171,152	1,283,693
Inter-segment revenue			2,000	65,239	167,695	234,934
Revenue from customers	\$	96,613	703,710	244,979	3,457	1,048,759
Revenue from discontinued operations						(703,710)
Other						(2,000)
Revenue						343,049
Segment operating profit		13,118	108,591	39,355	-	161,064
General expenses						56,457
Income taxes						26,600
Net income for the period	\$					78,007
Identifiable assets	\$	2,601,117	859,773	584,338	360,312	4,405,540
Capital expenditures	\$	126,885	2,893	915	(15,000)	115,693
Amortization	\$	2,333	10,255	2,971	4,092	19,651

The following table sets forth the geographic information of revenues which are attributed to countries based on location of customers:

Countries	2003	2002
Canada	\$ 228,802	369,067
United States	-	583,357
United Kingdom	-	81,191
Other Countries	-	15,144
Total	\$ 228,802	1,048,759

All of the Company's long-lived assets are located in North America.

3. STOCK OPTIONS

Stock option plan

Under the Stock Option Plans (1995) and (2000) as approved by the shareholders of the Company, the following activity occurred during the period.

	Weighted Average Exercise price	Sep 2003 Number	Weighted Average Exercise price	Jun 2003 Number
Balance, beginning of period	\$ 0.21	740,000	\$ 0.20	500,000
Granted	0.36	280,000	0.23	280,000
Exercised	0.20	(50,000)	0.20	(40,000)
Lapsed	0.00	0	0.00	0
Balance, end of period	\$ 0.25	970,000	\$ 0.21	740,000

On July 30, 2003, the Company has issued 280,000 stock options to the Directors and two officers of the Company at an exercise price of \$0.36 per common share with an expiry date of January 31, 2006. Had compensation cost for these Company's stock options been determined under the accounting standard Section 3870, the fair value of each grant is estimated to be \$0.13 per share. The fair value of each grant is estimated on the date of grant using the multiple option Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of 0%, expected volatility of 57%, risk-free interest rate of 3.45%, and expected life of two and a half years.

Had compensation cost for all the Company's stock-based compensation plans been determined under the recommendations of the CICA Handbook Section 3870, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

			Sep 2003	Sep 2002
Net Income (loss)	As reported	\$	(83,297)	78,007
	Pro forma	\$	(89,457)	75,629
Basic earnings (loss) per share	As reported	\$	0.00	0.01
	Pro forma	\$	(0.01)	0.01
Diluted earnings (loss) per share	As reported	\$	0.00	0.01
	Pro forma	\$	(0.01)	0.01

4. PRIVATE PLACEMENT

On August 14, 2003, the Company closed a private placement in the amount of \$857,498, which resulted in the issuance of 2,485,500 common shares. The common shares were priced at \$0.345 per share and are restricted from trading for a period of one year from issuance. The funds generated is mainly to provide to the Company's wholly owned subsidiary, Synex Energy Resources Ltd. to advance electrical energy developments and for general corporate purposes.

5. PURCHASE OF ASSETS OF WOLVERINE POWER CORPORATION

On July 3, 2003 and July 7, 2003, Synex Energy Resources Ltd. acquired the real estate assets of Wolverine Power Corporation comprising four hydroelectric facilities located in Michigan under a foreclosure procedure for US\$1.505 million in consideration. These assets are now held by Synex Michigan, LLC, a recently incorporated subsidiary of Synex Energy Resources Ltd, which is proceeding to effect the transfer of the operating business including the purchase of the remaining assets of Wolverine Power Corporation.

6. ACCOUNTS RECEIVABLE

	September 30 2003	June 30 2003
Accounts receivable - Trade	391,183	337,719
Security deposits, interest and other	507,994	629,599
	<u>899,177</u>	<u>967,318</u>

Synex International Inc.

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol (SXI)
Listed on June 5, 1987

Auditors

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Chartered Accountants
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Solicitors

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Barristers and Solicitors
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Registrar and Transfer Agent

Computershare Trust Company of Canada
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Bankers

Royal Bank of Canada
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